

Message Text

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PAGE 01 VIENNA 03789 01 OF 02 241153Z
ACTION TRSE-00

INFO OCT-01 EUR-12 ISO-00 EA-10 NEA-10 IO-13 ABF-01
ICAE-00 NSCE-00 SSO-00 INRE-00 AID-05 CIAE-00
COME-00 EB-08 FRB-03 INR-10 NSAE-00 XMB-02
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 SS-15 STR-07
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O 241138Z APR 78
FM AMEMBASSY VIENNA
TO SECSTATE WASHDC IMMEDIATE 6077

LIMITED OFFICIAL USE SECTION 01 OF 02 VIENNA 03789

PASS TREASURY FOR SECRETARY BLUMENTHAL FROM BERGSTEN
NSC FOR HENRY OWEN
STATE FOR COOPER, KATZ AND HOLBROOKE

E.O. 11652: N/A
TAGS: ADB, EAID
SUBJECT: ADB III REPLENISHMENT

SUMMARY: ASIAN DEVELOPMENT FUND DONORS REACHED AGREEMENT
ON A REPLENISHMENT OF \$2.0 BILLION PLUS SUPPLEMENTARY
CONTRIBUTIONS EXPECTED TO NET ABOUT \$60 MILLION. U.S.
PLEDGED \$445 MILLION SUBJECT TO APPROPRIATE CONGRESSIONAL
ACTION TO BE CONTRIBUTED IN FOUR EQUAL INSTALLMENTS
1979 - 82. JAPAN PLEDGED \$724 MILLION AND FRANCE JOINED
ADF FOR FIRST TIME. TRIGGER ARRANGEMENT NEGOTIATED FULLY
SATISFACTORY TO U.S. END SUMMARY.

1. THE THIRD MEETING OF THE DONOR COUNTRIES TO CONSIDER
THE SECOND REPLENISHMENT OF THE ASIAN DEVELOPMENT FUND
(ADF III) WAS HELD IN VIENNA, AUSTRIA, APRIL 22-23.

2. ALTHOUGH A FINAL SESSION IS SCHEDULED FOR TUESDAY,
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PAGE 02 VIENNA 03789 01 OF 02 241153Z

APRIL 25TH TO REVIEW THE RESOLUTION WHICH WILL BE PROPOSED
TO THE BOARD OF GOVERNORS, THE MAIN POINTS OF THE REPLEN-
ISHMENT EXERCISE HAVE BEEN RESOLVED.

3. AFTER LENGTHY NEGOTIATION ON THE OVERALL SIZE OF THE
REPLENISHMENT AND THE PROCEDURES FOR COMMITMENTS, THE
DELEGATES AGREED TO A \$2.0 BILLION REPLENISHMENT. IN

ADDITION SEVERAL COUNTRIES (INCLUDING JAPAN, GERMANY AND U.K.) VOLUNTEERED TO MAKE SUPPLEMENTARY CONTRIBUTIONS WHICH ARE EXPECTED TO AMOUNT TO ABOUT \$70 MILLION. FINAL FIGURES FOR THE SUPPLEMENTARY CONTRIBUTIONS WILL BE DETERMINED AT THE TUESDAY MEETING.

4. COUNTRY SHARES OF THE \$2.0 BILLION WILL REMAIN THE SAME AS FOR THE PREVIOUS ADF REPLENISHMENT (ADF II) WITH MINOR EXCEPTIONS. (SEE PARA 9.) THE UNITED STATES PLEDGED \$445 MILLION SUBJECT TO AUTHORIZATION AND APPROPRIATION BY THE CONGRESS. THE U.S. SHARE REMAINS AT 22.25 PERCENT OF \$2.0 BILLION BASIC TARGET. TAKING INTO ACCOUNT NET ADDITIONAL CONTRIBUTIONS EXPECTED TO TOTAL ABOUT \$60 MILLION, U.S. SHARE OF TOTAL WILL APPROXIMATE 21.6. THIS PLEDGE WAS MADE AFTER AN OVERALL PACKAGE SATISFACTORY TO THE U.S. WAS WORKED OUT.

5. A MAJOR ELEMENT OF THAT PACKAGE WAS AN ARRANGEMENT TO ASSURE EQUITABLE BURDENSARING AMONG ALL DONOR COUNTRIES AND CONTINUITY IN THE ADF'S LENDING ACTIVITIES. THE ARRANGEMENT PROVIDES THAT THE REPLENISHMENT WILL BECOME EFFECTIVE WHEN THE BANK HAS OBTAINED UNQUALIFIED COMMITMENTS OF \$1 BILLION -- 50 OF THE TOTAL REPLENISHMENT. IT IS ANTICIPATED THAT THIS WILL TAKE PLACE BY MARCH 31, 1979.

6. ALL MEMBERS' COMMITMENTS WILL BE DIVIDED INTO FOUR LIMITED OFFICIAL USE

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PAGE 03 VIENNA 03789 01 OF 02 241153Z

EQUAL TRANCHES WITH THE FIRST TRANCHE OF THE CONTRIBUTIONS OF THE COUNTRIES WHICH HAVE MADE UNQUALIFIED COMMITMENTS BY THAT DATE BECOMING EFFECTIVE CONCURRENTLY WITH THE REPLENISHMENT. THE SECOND, THIRD AND FOURTH TRANCHES OF COUNTRIES MAKING UNQUALIFIED COMMITMENTS WILL BECOME AVAILABLE FOR COMMITMENT ON JANUARY 1, 1980, 1981 AND 1982 RESPECTIVELY IF PRIOR TO THOSE DATES COUNTRIES MAKING PREVIOUSLY QUALIFIED COMMITMENTS (I.E., THE U.S.) HAVE MADE UNQUALIFIED COMMITMENTS FOR 25, 50 AND 75 OF THEIR CONTRIBUTIONS. IN ORDER TO ALLOW THE FLEXIBILITY DESIRED BY THE U.S., THE ARRANGEMENTS ALSO PROVIDE THAT IF THE U.S. FINDS IT IMPOSSIBLE TO MAKE COMMITMENTS ON SCHEDULE, IT WILL CONSULT WITH THE BANK TO ESTABLISH A REVISED PAYMENT SCHEDULE AND THE BOARD OF DIRECTORS MAY MODIFY THE ABOVE PERCENTAGES TO ALLOW THE BANK TO CONTINUE TO MAKE COMMITMENTS.

7. SOME COUNTRIES EXPRESSED THE CONCERN THAT THERE WOULD NOT BE MUTUALITY OF OBLIGATIONS IF COMMITMENTS COULD BE MADE BY THE BANK AGAINST THEIR CONTRIBUTIONS WHILE THERE WERE SUBSTANTIAL DELAYS IN PROVIDING THE FULL U.S. CONTRIBUTION. THEREFORE THE ARRANGEMENTS ALSO PROVIDE THAT, IN CASE OF SUBSTANTIAL CUTS OR DELAYS, OTHER DONORS, AFTER

CONSULTATION WITH THE BANK, MAY IF THEY WISH RESTRICT COMMENSURATELY THE AMOUNT OF THEIR CONTRIBUTION AGAINST WHICH THE BANK MAY MAKE COMMITMENTS. IN ADDITION, THE ARRANGEMENTS ALSO PROVIDE THAT IN CASE OF SEVERE DELAYS IN THE RECEIPT OF CONTRIBUTIONS THE BANK COULD CONVENE A MEETING OF DONOR COUNTRIES TO CONSIDER WAYS OF OBTAINING THE NECESSARY CONTRIBUTIONS.

8. OTHER ELEMENTS OF THE PACKAGE INCLUDED INFORMAL ASSURANCES THAT "MARGINALLY ELIGIBLE" COUNTRIES (PHILIPPINES, INDONESIA, THAILAND) WILL RECEIVE SOME ADF MONEY AND SUBSTANTIAL PLEDGES BY OTHER COUNTRIES WHICH PERMITTED ATTAINMENT OF THE TARGET. IN ADDITION, FRANCE AGREED, FOR THE FIRST TIME TO MAKE A CONTRIBUTION TO THE ADF. ITS SHARE

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PAGE 01 VIENNA 03789 02 OF 02 241157Z
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LIMITED OFFICIAL USE SECTION 02 OF 02 VIENNA 03789

WILL BE 5.24, WHICH IS THE SHARE ALLOCATED TO IT IN PREVIOUS REPLENISHMENTS BUT WHICH IT HAD NOT MET. JAPAN AGREED TO MAINTAIN ITS TRADITIONAL SHARE IN THE \$2 BILLION REPLENISHMENT (33.69). IN ADDITION IT AGREED TO A VOLUNTARY CONTRIBUTION AMOUNTING TO 50.5 MILLION FOR A TOTAL CONTRIBUTION OF \$724.3 MILLION.

9. NEW ZEALAND, WHOSE SHARE HAD BEEN 0.66, ANNOUNCED THAT IT WOULD BE UNABLE TO MAKE A CONTRIBUTION TO THIS REPLENISHMENT. THE OTHER CHANGES IN SHARES WERE A DECREASE IN THE CANADIAN SHARE FROM 9.44 TO 8.53 AND A CORRESPONDING INCREASE IN THE NETHERLANDS SHARE FROM 1.59 TO 2.50. SINCE THESE CHANGES OFFSET EACH OTHER, THEY RESULTED IN NO MODIFICATION IN OTHER COUNTRIES' SHARES.

10. AMONG THE SUBJECTS DISCUSSED AT THE MEETING WAS THE DESIRABILITY OF USE BY THE FUND OF THE SDR AS A UNIT OF ACCOUNT AND AS A BASIS FOR MAINTENANCE OF VALUE OBLIGATIONS IT WAS AGREED TO CONTINUE USAGE OF THE CURRENT U.S. DOLLAR AS THE BASIS FOR DETERMINING CONTRIBUTIONS TO ADF III AND THAT THERE WOULD BE NO MOV PROVISION. IT WAS PROPOSED, HOWEVER, THAT THE BANK STUDY THESE ISSUES WITH REGARD TO LIMITED OFFICIAL USE

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PAGE 02 VIENNA 03789 02 OF 02 241157Z

FUTURE REPLENISHMENTS.

11. MAIN ISSUES ON WHICH DEBATE CENTERED WERE TOTAL SIZE OF REPLENISHMENT AND TRIGGER FORMULA. SEVERAL COUNTRIES PREFERRED BASIC TARGET OF \$2.15 BILLION WITH QUOTE UNALLOCATED UNQUOTE ITEM TO ACCOUNT FOR SHORTFALL FROM TARGET. THEIR OBJECTIVE WAS TO ENABLE COUNTRIES WHOSE INSTRUCTIONS FOCUSED ON SHARES OF TOTAL OUTCOME TO CONTRIBUTE MORE. HOWEVER, PLEDGES OF MOST COUNTRIES WERE NOT AFFECTED BY THIS DISTINCTION AND TOTAL RESULT WAS LITTLE DIFFERENT UNDER THE ALTERNATIVE APPROACHES. CONSENSUS FINALLY EMERGED THAT AGREED OUTCOME PRESENTED MORE ACCURATE PICTURE OF ACTUAL RESULT.

12. ON TRIGGER, GERMANY ORIGINALLY SOUGHT ARRANGEMENT WHEREBY ALL ADF COMMITMENTS WOULD CEASE IF ANY MAJOR DONOR FAILED TO FULFILL ITS FULL PLEDGE ON TIMELY BASIS. VIRTUALLY ALL OTHER DELEGATIONS FAVORED MORE FLEXIBLE FORMULA. U.S. WORKED OUT QUOTE COMPROMISE APPROACH UNQUOTE AS DESCRIBED ABOVE.

13. BANK MANAGEMENT AND NUMEROUS COUNTRY DELEGATIONS HAVE EXPRESSED DEEP GRATIFICATION OVER QUOTE FORTHCOMING U.S. APPROACH WHICH PERMITTED SUCCESSFUL ATTAINMENT OF ADF III UNQUOTE. SUBSTANCE AND MANNER OF U.S. PARTICIPATION ELICITED WIDESPREAD SUPPORT AND ENABLED US AVOID ANY DIFFICULTIES WITH OTHER PARTICIPANTS. BELIEVE RESULT PROMOTES BASIC U.S. POLICY GOALS VIS-A-VIS DEVELOPMENT BANKS IN PARTICULAR, AND OUR FOREIGN ASSISTANCE POLICY IN GENERAL. BORG

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